FRANCES BAARD DISTRICT MUNICIPALITY

UNAUDITED

FINANCIAL STATEMENTS

30 JUNE 2017

Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

Index

The reports and statements set out below comprise the annual financial statements presented to the council:

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APPENDICES - Unaudited

Frances Baard District Municipality

General information

Country of origin and legal form	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)
Jurisdiction	The Frances Baard Municipality includes the following areas: Sol Plaatjie — Grade 4 Phokwane — Grade 2 Dikgatlong — Grade 2 Magareng — Grade 2
Nature of business	Frances Baard Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)
Capasity of district authority	Medium capacity
Municipal demarcation code	DC9
Management structure	The municipality's senior management structure consists of the Municipal Manager and heads of the four main departments. The Office of the Municipal Manager includes management functions pertaining to municipal systems improvement and integrated development planning functions.
Municipal manager	Ms. ZM Bogatsu - 1 July 2016 to 31 May 2017 Mrs. KG Gaborone (Acting) - 1 June 2017 to 30 June 2017
Chief financial officer	Ms. O Moseki (Acting)
Other heads of departments	Director: Administration — Mrs. KG Gaborone Director: Planning & Development — Mr. F Netshivhodza (Acting) Director: Infrastructure Services — Mr. PJ van Der Walt
Registered office	51 Drakensberg Avenue Carters Glen Kimberley
External auditors	Auditor-General of South Africa Private Bag X5013 Kimberley Telephone number (053) 838 0911 Fax number (053) 861 1538 Email frances.baard@fbdm.co.za
Internal auditors	The Internal Audit section was fully staffed and operational during the financial year. The use of external service providers is limited to cases where internal capacity is insufficient to conduct specialized investigations.
Members of the audit committee	Mr. WMS Calitz — Chairperson Mr. T Mogoli — Member Mr. G Botha — Member

Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

General information

Principle banker	Standard Bank Cnr of Bultfontein & Lennox Street Po Box 626 Kimberley 8300	
Relevant legislation	Municipal Finance Management Act (Act no. 56 of 2003) Division of Revenue Act (Act no.3 of 2016) The Income Tax Amendment Act (Act no. 907 of 2016) Value Added Tax Amendment Act (Act no. 11 of 2015) Municipal Structures Act (Act no. 117 of 1998) Municipal Systems Act (Act no. 32 of 2000) Municipal Planning and Performance Management Regulations Housing Act (Act no. 107 of 1997) Skills Development Levies Amendment Act (Act no. 25 of 2016) Employment Equity Act (Act no. 55 of 1998) Unemployment Insurance Act (Act no. 30 of 1966) Basic Conditions of Employment Act (Act no. 75 of 1997) Supply Chain Management Regulations, 2005	
Executive Mayor	Ms V Ximba	Proportional
Speaker	Mr M B Silingile	Proportional
Mayoral Committee	Mr M Mokgatlhanyane	Proportional
	Ms C Mothibi	Proportional
	Ms M Mathe	Proportional
	Ms M Motsamai	Proportional
	Ms N Shushu	Sol Plaatje Municipality
MPAC Chairperson	Ms D Bishop	Sol Plaatje Municipality
Part Time Councillors	Mr V Ndlela	Proportional
	Mr M Kaars	Proportional
	Ms D Benjamin	Proportional
	Mr P Louw	Proportional
	Ms A Siwisa	Proportional
	Ms A Moremong	Phokwane Municipality
	Mr J Musie	Phokwane Municipality
	Ms D Setlholo	Proportional
	Mr P Thabane	Sol Plaatje Municipality
	Mr B Springbok	Proportional
	Ms T Mpanza	Sol Plaatje Municipality
	Ms L Duba	Sol Plaatje Municipality
	Ms M Beylefeld	Sol Plaatje Municipality
	Mr S Griqua	Sol Plaatje Municipality
	Mr S N Kika	Sol Plaatje Municipality
	Mr D M Macinga	Dikgatlong
	Ms M A Mahutie	Dikgatlong
	Ms H Moromeise	Phokwane Municipality
	Mr K Zalisa	Magareng

Frances Baard District Municipality

Approval of Annual Financial Statements

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2017 which are set out on pages 1 to 85 in terms of section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2018 and am satisfied that the municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Management has concluded that the financial statements present fairly the municipality's financial position, financial performance and cash flows for the year ended 30 June 2017.

The annual financial statements set out on pages 1 to 85, which have been prepared on the going concern basis, were approved by the accounting officer and were signed on her behalf by:

Mrs. KG Gaborone (Acting)
Municipal Manager

30 AUGUST 2017
Date

Statement of Financial Position as at 30 June 2017

Figures in Rand	Notes	2017	2016 Restated*
Assets			
Current Assets			
Inventory	2	337 673	303 121
Investments	3	5 950 000	5 550 000
Operating lease asset	4	5 282	5 000
Receivables from non-exchange transactions	5	1 772 898	1 754 561
VAT receivable	6	3 362 592	5 393 830
Cash and cash equivalents	7	54 602 119	69 275 054
Current portion of long-term receivables	8	819 000	741 000
		66 849 564	83 022 567
Non-Current Assets			
Non-Current Investments	3	-	-
Long-term receivables	8	8 114 000	8 598 000
Intangible assets	9	597 004	763 058
Heritage assets	10	631 417	631 417
Property, plant and equipment	11	49 311 261	46 176 452
		58 653 682	56 168 927
Total Assets		125 503 246	139 191 494
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	11 588 848	8 445 539
Unspent conditional government grants and receipts	13	471 699	3 073 659
Current portion of long-term liabilities	14	2 179 033	1 988 393
Current employee benefits	15	10 650 721	9 440 722
		24 890 301	22 948 314
Non-Current Liabilities			
Long-term liabilities	14	2 484 589	4 660 722
Employee benefits	16	29 700 999	27 713 911
		32 185 589	32 374 633
Total Liabilities		57 075 890	55 322 946
Net Assets			
Revaluation reserve		20 039 314	20 303 275
Accumulated surplus	17	48 388 042	63 565 272
		68 427 356	83 868 548

Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performances

Figures in Rand	Notes	2017	2016 Restated*
Revenue			
Revenue from non-exchange transactions			
Transfer Revenue			
Government grants and subsidies	18	114 012 528	110 413 264
Total revenue from non-exchange transactions		114 012 528	110 413 264
Revenue from exchange transactions			
Rental of facilities and equipment	19	1 009 828	643 770
Interest earned - external investments / current account	20	6 805 233	7 866 135
Other income	21	140 709	2 134 929
Total revenue from exchange transactions		7 955 771	10 644 834
Total revenue		121 968 299	121 058 098
Expenditure			
Employee related costs	22	57 082 078	52 743 677
Remuneration of councillors	23	5 950 489	5 987 653
Debt impairment	24	2 219	-
Depreciation and amortisation	25	3 926 513	3 960 969
Contracted Services	26	3 936 130	3 520 611
Actuarial losses	16	1 225 310	965 593
Finance charges - external funding	27	673 822	884 112
Finance charges - employee benefits	27	1 975 000	1 513 138
Grants and subsidies paid	28	48 946 516	54 621 447
General expenses	29	13 261 969	13 141 331
Loss on disposal of assets		429 444	216 455
Total expenditure		137 409 490	137 554 987
Operating deficit for the year		(15 441 191)	(16 496 889)

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	CRR	Accumulated surplus	Total Accumulated surplus	Total net assets
Opening balance as previously reported	15 569 372	9 186 800	70 511 240	79 698 040	95 267 412
Correction of prior period error (note 34)	-	-	-	-	-
Balance at 1 July 2015	15 569 372	9 186 800	70 511 240	79 698 040	95 267 412
Deficit for the year	-	-	(16 496 889)	(16 496 889)	(16 496 889)
Transfer to capital replacement reserve	-	11 677 000	(11 677 000)	-	-
Property, plant and equipment purchased	-	(5 582 005)	5 582 005	-	-
Offset of depreciation	(252 695)	-	252 695	252 695	-
Revaluation adjustment for the year	4 986 599	-	-	-	4 986 599
Correction of error Note 34	-	-	111 427	111 427	111 427
Balance as at 30 June 2016	20 303 275	15 281 795	48 283 478	63 565 272	83 868 548
Surplus for the year	-	-	(15 441 191)	(15 441 191)	(15 441 191)
Transfer	-	(7 324 713)	7 324 713	-	-
Offset of depreciation	(263 961)	-	263 961	263 961	-
Revaluation adjustment for the year	-	-	-	-	-
Balance as at 30 June 2017	20 039 314	7 957 082	40 430 960	48 388 042	68 427 356
Note				17	

Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	Notes	2017	2016 Restated*
Cash flow from operating activities			
Receipts			
Government		111 619 227	112 569 249
Interest		6 805 233	7 866 135
Ratepayers and other		923 541	2 291 945
		119 348 002	122 727 329
Payments			
Suppliers and employees		(75 096 392)	(78 862 398)
Finance charges		(673 822)	(884 112)
Transfers and grants		(48 946 516)	(54 621 447)
		(124 716 730)	(134 367 957)
Net cash flow to operating activities	30	(5 368 729)	(11 640 628)
Cash flow from investments			
Purchases of property, plant and equipment		(7 324 712)	(5 505 355)
Purchases of intangible assets		-	(76 651)
Decrease in long-term receivables		406 000	1 099 717
Increase in investments		(400 000)	(300 000)
Net cash flow to investing activities		(7 318 712)	(4 782 289)
Cash flow from finance activities			
Loans repaid		(1 985 494)	(1 784 602)
Net cash flow to finance activities		(1 985 494)	(1 784 602)
Net decrease in cash and cash equivalents		(14 672 935)	(18 207 519)
Cash and cash equivalents at the beginnig of the year	7	69 275 054	87 482 573
Cash and cash equivalents at the end of the year	7	54 602 119	69 275 054
Net decrease in cash and cash equivalents		(14 672 935)	(18 207 519)

Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	2017 Actual	2017 Approved	2017 Final budget	2017 Variance	Explanation for material variances
Assets					
Current Assets					
Inventory	337 673	300 000	300 000	37 673	Over budgeting of 13% is due to cost containment measures which were put in place during the year. Less stationery and materials were issued.
Investments	5 950 000	5 250 000	5 550 000	400 000	Over budgeting of 7% on investments as more surplus money was invested during the year than budgeted.
Other debtors	5 140 772	2 000 000	2 000 000	3 140 772	Over budgeting on debtors is due to the overpayment of councilor salary, medical aid of retired staff and services rendered to local municipalities during the financial year which will be recouped from the debtors during the 2017/18 financial year.
Cash and cash equivalents	54 602 119	3 748 051	41 029 719	13 572 401	Over budgeting of 33% on cash and cash equivalents is due money being invested in short term call accounts.
Current portion of long-term receivables	819 000	900 000	900 000	(81 000)	The portion of roads PEMA was less than budgeted for the current financial year according to the actuarial valuation.
	66 849 564	12 198 051	49 779 719	17 069 845	
Non-Current Assets					
Long-term receivables	8 114 000	8 678 501	8 678 501	(564 501)	The portion of roads Post-Employment Medical Aid was less than budgeted for the current financial year according to the actuarial valuation.
Intangible assets	597 004	442 517	442 517	154 487	Over budgeting of 35% on intangible assets, is due to the reclassification of PPE to intangible assets.
Heritage assets	631 417	631 417	631 417	(0)	-
Property, plant and equipment	49 311 261	48 856 744	55 116 305	(5 805 043)	Under budgeting of PPE is due to the reclassification of PPE to intangible assets, the underspending on the Fire Engine due to specification which will only be met in the 2017/18 year and the delay on the extension of the building.
	58 653 682	58 609 179	64 868 740	(6 215 058)	
Total Assets	125 503 246	70 807 230	114 648 459	10 854 788	
Liabilities					
Current Liabilities					
Trade and other payables	12 060 547	17 000 000	15 000 000	(2 939 453)	Under budgeting of payables was due creditors being paid before 30 days after the issue of the invoice.
Current portion of long-term liabilities	2 179 033	486 846	486 846	1 692 187	Under budgeting of the current portion of short-term liabilities is due to only the interest being taken into account.
Current employee benefits	10 650 721	10 000 000	10 000 359	650 363	Under budgeting of current employment benefits due to actuarial valuation.
	24 890 301	27 486 846	25 487 205	(596 904)	
Non-Current Liabilities					
Long-term liabilities	2 484 589	4 898 727	4 898 727	(2 414 138)	Over budgeting of long-term liability due to the budget including both the short- and long-term portion of the liability.
Employee benefits	29 700 999	29 831 623	29 831 623	(130 624)	-
	32 185 588	34 730 350	34 730 350	(2 544 762)	
Total Liabilities	57 075 890	62 217 196	60 217 555	(3 141 666)	
Net Assets					
Revaluation reserve	20 039 314	15 382 670	26 738 057	(6 698 743)	Over budgeting on the revaluation reserve as the revaluation was done after the budget was approved.
Accumulated surplus	48 388 042	31 401 550	27 692 847	20 695 195	The performance statement deficit was lower than budgeted, which is the reason why the accumulated surplus is higher than the budgeted amount.
	68 427 356	46 784 219	54 430 904	13 996 453	

Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	2017 Actual	2017 Approved	2017 Final budget	2017 Variance	Explanation for material variances
Revenue					
Revenue from non-exchange transactions					
Government grants and subsidies	114 012 528	117 778 000	113 190 522	822 006	-
Total revenue from non-exchange transactions	114 012 528	117 778 000	113 190 522	822 006	
Revenue from exchange transactions					
Rental of facilities and equipment	1 009 828	1 120 013	1 081 113	(71 285)	The rental of facilities and equipment was less than expected due to the low demand for the services.
Interest earned - external investments / current account	6 805 233	5 648 020	5 743 350	1 061 883	The income from external investments was more than anticipated as more money was invested in call accounts during the financial year.
Other income	140 709	100 000	100 000	40 709	Other income is higher than the budgeted amount as more money was received from other services rendered than anticipated during the budget compilation.
Gain from disposal of assets	-	35 000	30 000	(30 000)	No gains were made on disposal of fixed assets sold during the year.
Total revenue from exchange transactions	7 955 771	6 903 033	6 954 463	1 001 308	
Total revenue	121 968 299	124 681 033	120 144 985	1 823 313	
Expenditure					
Employee related costs	57 082 078	65 547 270	61 214 629	(4 132 551)	The under spending on the employee related cost is due to the vacant positions which have not been filled.
Remuneration of councillors	5 950 489	6 921 820	6 714 580	(764 091)	Under spending on the councillor remuneration is due to the budgeted figure being based on a higher increase notch than gazetted during the year.
Debt impairment	2 219	3 000	3 000	(781)	Less debt was impaired during the year as debtors are able to repay the municipality.
Depreciation and amortisation	3 926 513	4 026 620	3 826 620	99 893	The depreciation & amortisation on assets was higher than expected by 3% due to acquisition of new assets.
Repairs and maintenance	3 936 130	4 408 400	4 850 908	(914 778)	Repairs & maintenance was less than budgeted, as maintenance required for the year was minimal.
Actuarial losses	1 225 310	1 220 000	1 152 310	73 000	-
Finance charges - external funding	673 822	771 000	771 000	(97 178)	Finance charges from external funding was lower than expected which resulted in a saving on the current year budget, reduction of borrowings.
Finance charges - employee benefits	1 975 000	1 394 810	1 394 810	580 190	The finance charges was higher than budgered as the actuarial valuation was done after the budget process estimation.
Grants and subsidies paid	48 946 516	61 335 440	61 835 440	(12 888 924)	The budgeted amount is more than the actual as cost containment played a role in the under expenditure and the requests received from local municipalities was lower than expected.
General expenses	13 261 969	20 392 144	19 118 794	(5 856 825)	General expenditure was less than the budgeted amount due to cost containment measures implemented during the financial year.
Loss on disposal of assets	429 444	210 000	210 000	219 444	One of the municipal vehicles was involved in an accident during the financial year which was an unexpected loss on disposal of assets. Four vehicles were donated at the end of the financial year to local municipalities, one of the vehicles was the Mayor's vehicle.
Total expenditure	137 409 490	166 228 504	160 892 091	(23 482 602)	
Operating deficit for the year	(15 441 191)	(41 547 471)	(40 747 106)	25 305 915	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	2017 Actual	2017 Approved	2017 Final budget	2017 Variance	Explanation for material variances
Cash flow from operating activities					
Receipts					
Government	111 619 227	111 813 000	112 013 000	(393 773)	-
Interest	6 805 233	5 443 350	5 743 350	1 061 883	Interest received was higher due to the increase of cash, refer to the reasons mentioned below.
Ratepayers and other	923 541	1 181 110	1 181 110	(257 569)	Insurance claims was more than anticipated.
	119 348 002	118 437 460	118 937 460	410 542	
Payments					
Suppliers and employees	(75 096 392)	(74 710 369)	(75 033 836)	(62 556)	-
Finance charges	(673 822)	(2 165 810)	(2 165 810)	1 491 988	Budget provision was made to take up a new loan for the construction of a disaster management centre. Building has not yet started.
Transfers and grants	(48 946 516)	(61 664 974)	(61 964 974)	13 018 459	Underperformance on implementation of special projects.
	(124 716 730)	(138 541 153)	(139 164 621)	14 447 890	
Net cash flow to operating activities	(5 368 729)	(20 103 693)	(20 227 161)	14 858 432	
Cash flow from investments					
Purchases of property, plant and equipment	(7 324 712)	(15 228 800)	(12 848 013)	5 523 301	The construction of the new office building and building of water tanker is behind schedule. The amount was rolled over to 2017/18 financial year.
Decrease in long-term receivables	406 000	-	-	406 000	The results are based on actual valuations that only becomes available at year end.
Increase in investments	(400 000)	-	5 550 000	(5 950 000)	The increase is based on the actual value of leave days not taken by staff
Net cash flow to investing activities	(7 318 712)	(15 228 800)	(7 298 013)	(20 699)	
Cash flow from finance activities					
Finance lease repaid	-	-	-	-	
Loans repaid	(1 985 494)	(1 800 000)	(720 000)	(1 265 494)	The amount of R720 000 was the budgeted for the interest on a loan and not the capital repayment.
Net cash flow to finance activities	(1 985 494)	(1 800 000)	(720 000)	(1 265 494)	
Net decrease in cash and cash equivalents	(14 672 935)	(37 132 493)	(28 245 174)	13 572 239	
Cash and cash equivalents at the beginning of the year	69 275 054	78 769 193	69 275 054	-	-
Cash and cash equivalents at the end of the year	54 602 119	41 636 701	41 029 880	13 572 239	The variance is due to the under performance on purchase of assets and special projects.
Net decrease in cash and cash equivalents	(14 672 935)	(37 132 493)	(28 245 174)	13 572 239	

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below. These accounting policies are consistent with the previous period.

1.2. GOING CONCERN

These financial statements have been prepared on a going concern basis.

1.3. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.4. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.5. RESERVES

1.5.1.Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/deficit to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

1.5.2. Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the statement of financial performance.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.6. LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.6.1. Operating lease - Lessee

Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.6.2. Operating lease - Lessor

Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.7. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the statement of financial position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the statement of financial performance.

- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the statement of financial performance.

1.8. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the statement of financial position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.9. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the statement of financial position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the statement of financial performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the statement of financial performance.

1.10. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

a) The Municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- When the plan will be implemented.

b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.11. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.11.1. Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the statement of financial performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the statement of financial performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the statement of financial performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.11.2. Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries

annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the statement of financial performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the statement of financial performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.11.3. Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the statement of financial performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the statement of financial performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.11.4. Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.11.5. Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.11.6. Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.11.7. Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the statement of financial performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified

are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the statement of financial performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.12. PROPERTY, PLANT AND EQUIPMENT

1.12.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). It the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.12.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.12.3. Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of financial performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the statement of financial performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.12.4. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors. The depreciation method is reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

Property, plant and equipment	Years
Buildings	5 – 32
Computer equipment	5 – 27
Emergency equipment	5 – 27
Furniture and fittings	4 – 30
Land	Indefinite
Motor vehicles	5 – 15
Office equipment	5 – 27
Plant and machinery	4 – 17
Security measures	5 – 10

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the statement of financial performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the statement of financial performance.

1.12.5. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial performance.

1.13. INTANGIBLE ASSETS

1.13.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its statement of financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.13.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.13.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of

assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible assets	Years
Computer software	10
Computer software licenses	10

1.13.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial performance.

1.14. HERITAGE ASSETS

1.14.1. Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.14.2. Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.14.3. Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the statement of financial performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the statement of financial performance.

1.14.4. De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the statement of financial performance.

1.14.5. Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.15. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.15.1. Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a

reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the statement of financial performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of financial performance.

1.15.2. Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the statement of financial performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the statement of financial performance.

1.16. INVENTORIES

1.16.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.16.2. Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

1.17. FINANCIAL INSTRUMENTS

Financial instruments recognised on the statement of financial position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both form exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.17.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.17.2. *Classification*

The Municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and Cash Equivalents	Financial assets measured at amortised cost
Current Investments	Financial assets measured at amortised cost
Receivables from non-exchange transactions	Financial assets measured at amortised cost
Long-Term Receivables	Financial assets measured at amortised cost

The Municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long-term Liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

1.17.3. *Subsequent Measurement*

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.17.3.1. *Receivables*

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of financial performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the

municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the statement of financial performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.17.3.2. *Payables and Annuity Loans*

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.17.3.3. *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.17.3.4. *Non-Current Investments*

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the statement of financial performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of financial performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.17.4. De-recognition of Financial Instruments

1.17.4.1. *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and

rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.17.4.2. *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of financial performance.

1.17.5. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.18. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.19. REVENUE

1.19.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions

attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.19.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.

- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.20. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so.

It is inappropriate to capitalise borrowing costs when there is clear evidence that it is difficult to link the borrowing requirement of the Municipality directly to the nature of the expenditure to be funded. In such cases, the Municipality expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

The amount of borrowing costs that the Municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the statement of financial performance when incurred.

1.21. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

a) are married or live together in a relationship similar to a marriage; or
b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

a) all members of the governing body of the Municipality;
b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer an all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.22. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured

at actual cost incurred) in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.26. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2015 to 30 June 2016. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.27. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.28. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.29.1. Post-retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.29.2. Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.29.3. Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.29.4. Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

1.29.5. Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.29.6. Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.29.7. Revenue Recognition

Accounting Policy 1.21.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.21.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.29.8. Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.29.9. Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

1.29.10. Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.30. NEW STANDARDS AND INTERPRETATIONS

1.30.1. Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

1.31. GRAP 17 (as revised 2015) Property, plant and equipment

The following amendments were made to the standard:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements is now required.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality has adopted the standard for the first time in the 2017 annual financial statements. The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

1.31.1. Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

1.31.1.1. GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which the municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of the municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by the municipality within a particular region.

This Standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more presentation and disclosure than is currently provided in the annual financial statements.

1.31.1.2. *GRAP 20: Related Parties*

The objective of this standard is to ensure that a reporting municipality's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

A municipality that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting municipality) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the municipality. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- The entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard but has already formulated an accounting policy for this reporting period based on the Standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

1.31.1.3. *GRAP 32: Service Concession Arrangements: Grantor*

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

1.31.1.4. *GRAP 108: Statutory Receivables*

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

1.31.1.5. *IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset*

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

1.31.1.6. *GRAP 109: Accounting by Principals and Agents*

The objective of this Standard is to outline principles to be used by the municipality to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent

arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when the municipality is a principal or an agent.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. The impact of this standard is currently being assessed.

1.31.1.7. *GRAP 34: Separate Financial Statements*

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers: definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

1.31.1.8. *GRAP 35: Consolidated Financial Statements*

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers: definitions, control, accounting requirements, investment entities: fair value requirement, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. The impact of this standard is currently being assessed.

1.31.1.9. *GRAP 36: Investments in Associates and Joint Ventures*

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers: definitions, significant influence, equity method, application of the equity method, separate financial statements, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. The impact of this standard is currently being assessed.

1.31.1.10. *GRAP 37: Joint Arrangements*

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers: definitions, joint arrangements, financial statements and parties to a joint arrangement, separate financial statements, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. The impact of this standard is currently being assessed.

1.31.1.11. *GRAP 38: Disclosure of Interests in Other Entities*

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers: definitions, disclosing information about interests in other entities, significant judgements and assumptions, investment entity status, interests in controlled entities, interests in joint arrangements and associates, interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

1.31.1.12. *GRAP 110: Living and Non-living Resources*

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.

It furthermore covers: definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. The impact of this standard is currently being assessed.

1.31.1.13. *IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land*

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in the municipality's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets (GRAP 103). As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date. The impact of this interpretation is currently being assessed.

1.31.1.14. *GRAP 12 (as amended 2016): Inventories*

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
- IPSASB amendments: to align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS
- 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The effective date of the amendment is for years beginning on or after 01 April 2016.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

1.31.1.15. *GRAP 16 (as amended 2016): Investment Property*

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: to clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2016.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

1.31.1.16. *GRAP 17 (as amended 2016): Property, Plant and Equipment*

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; to align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and to define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

1.31.1.17. GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

1.31.1.18. GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

-

- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

1.31.1.19. ***GRAP 26 (as amended 2016): Impairment of cash-generating assets***

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

1.31.1.20. ***GRAP 31 (as amended 2016): Intangible Assets***

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: to add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and to clarify acceptable methods of depreciating assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

1.31.1.21. *GRAP 103 (as amended 2016): Heritage Assets*

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

1.31.1.22. *GRAP 106 (as amended 2016): Transfers of functions between entities not under common control*

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: to require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal- agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers: definitions, identifying whether an entity is a principal or agent, accounting by a principal or agent, presentation, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Figures in Rand	2017	2016 Restated*

2 Inventory

Consumables - stationery and materials	337 673	303 121
	337 673	303 121
Inventory recognised as an expense during the year	335 766	357 798

No inventory assets were pledged as security for liabilities.

3 Investments

Bank deposits	5 950 000	5 550 000
	5 950 000	5 550 000
Current investments	5 950 000	5 550 000
	5 950 000	5 550 000

Fixed deposit at Standard Bank until 27 June 2018 at 8.65% interest.

4 Operating lease asset

Balance as at 1 July 2016	5 000	2 754
Movement during the year	281	2 247
	5 282	5 000
Current assets	5 282	5 000
Non-current assets	-	-
	5 282	5 000

5 Receivables from non-exchange transactions

Interest on investment	196 310	222 938
Payments made in advance	680 828	676 586
Recoverable amounts	3 297	-
Salary Control: Group schemes	577	-
Salary Control: Main account	-	1 126
Salary Control: Unclaimed salaries	-	360
Unpaid items	213	-
Sundry debtors	321 577	288 057
Sundry services	570 095	565 493
	1 772 898	1 754 561
Less: allowance for impairment	-	-
	1 772 898	1 754 561

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

6 VAT receivable

VAT receivable	3 362 592	5 393 830

The municipality is registered for VAT on the payment basis.

7 Cash and cash equivalents

Call investment deposits	50 001 000	66 000 000
Cash floats	3 300	3 300
Primary bank account	4 597 819	3 271 754
	54 602 119	69 275 054
Current assets	54 602 119	69 275 054
Current liabilities	-	-
	54 602 119	69 275 054

Figures in Rand	2017	2016 Restated*
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call investment deposits	50 001 000	66 000 000
Cash floats	3 300	3 300
Primary bank account	4 597 819	3 271 754
	54 602 119	69 275 054

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

	Bank statement balances 30-Jun-17	30-Jun-16	30-Jun-15
Standard Bank Kimberley Business Centre - Primary bank account	5 121 872	3 275 264	3 211 552
Call investment - ABSA	7 000 000	-	-
Call investment - ABSA	500 000	-	-
Call investment - ABSA	5 001 000	-	-
Call investment - ABSA	-	7 000 000	-
Call investment - ABSA	-	6 000 000	-
Call investment - ABSA	-	4 500 000	-
Call investment - ABSA	-	-	9 000 000
Call investment - ABSA	-	-	4 500 000
Call investment - ABSA	-	-	5 500 000
Call investment - First Rand	-	-	10 000 000
Call investment - First Rand	-	-	5 500 000
Call investment - Nedcor	8 000 000	-	-
Call investment - Nedcor	4 500 000	-	-
Call investment - Nedcor	4 500 000	-	-
Call investment - Nedcor	4 000 000	-	-
Call investment - Nedcor	-	10 000 000	-
Call investment - Nedcor	-	4 500 000	-
Call investment - Nedcor	-	5 550 000	-
Call investment - Nedcor	-	6 000 000	-
Call investment - Nedcor	-	-	9 500 000
Call investment - Nedcor	-	-	7 000 000
Call investment - Nedcor	-	-	5 500 000
Call investment - Rand Merchant	5 000 000	-	-
Call investment - Rand Merchant	-	4 000 000	-
Call investment - Rand Merchant	-	4 000 000	-
Call investment - Rand Merchant	-	4 500 000	-
Call investment - Standard Bank	9 000 000	-	-
Call investment - Standard Bank	2 500 000	-	-
Call investment - Standard Bank	-	6 000 000	-
Call investment - Standard Bank	-	4 500 000	-
Call investment - Standard Bank	-	5 000 000	-
Call investment - Standard Bank	-	-	10 000 000
Call investment - Standard Bank	-	-	8 000 000
Call investment - Standard Bank	-	-	4 500 000
Call investment - Standard Bank	-	-	5 500 000
	55 122 872	74 825 264	87 711 552

Figures in Rand		2017	2016 Restated*

		Cash book balances	
	30-Jun-17	30-Jun-16	30-Jun-15
Standard Bank Kimberley Business Centre - Primary bank account	4 597 819	3 271 754	2 979 273
Call Investment - ABSA	7 000 000	-	-
Call investment - ABSA	500 000	-	-
Call investment - ABSA	5 001 000	-	-
Call investment - ABSA	-	7 000 000	-
Call investment - ABSA	-	6 000 000	-
Call investment - ABSA	-	4 500 000	-
Call investment - ABSA	-	-	9 000 000
Call investment - ABSA	-	-	4 500 000
Call investment - ABSA	-	-	5 500 000
Call investment - First Rand	-	-	10 000 000
Call investment - First Rand	-	-	5 500 000
Call investment - Nedcor	8 000 000	-	-
Call investment - Nedcor	4 500 000	-	-
Call investment - Nedcor	4 500 000	-	-
Call Investment:- Nedcor	4 000 000	-	-
Call investment - Nedcor	-	10 000 000	-
Call investment - Nedcor	-	4 500 000	-
Call investment - Nedcor	-	6 000 000	-
Call investment - Nedcor	-	-	9 500 000
Call investment - Nedcor	-	-	7 000 000
Call investment - Nedcor	-	-	5 500 000
Call investment - Rand Merchant	5 000 000	-	-
Call investment - Rand Merchant	-	4 000 000	-
Call investment - Rand Merchant	-	4 000 000	-
Call investment - Rand Merchant	-	4 500 000	-
Call investment - Standard Bank	9 000 000	-	-
Call investment - Standard Bank	2 500 000	-	-
Call investment - Standard Bank	-	6 000 000	-
Call investment - Standard Bank	-	4 500 000	-
Call investment - Standard Bank	-	5 000 000	-
Call investment - Standard Bank	-	-	10 000 000
Call investment - Standard Bank	-	-	8 000 000
Call investment - Standard Bank	-	-	4 500 000
Call investment - Standard Bank	-	-	5 500 000
	54 598 819	69 271 754	87 479 273

No cash & cash equivalents held by the municipality are not available for use.

8 Long-term receivables

	2017	2016 Restated*
Roads post-retirement healthcare benefits		
Balance as at 1 July	9 339 000	10 438 717
Current year movement	(406 000)	(1 099 717)
	8 933 000	9 339 000

	2017	2016 Restated*
Current assets	819 000	741 000
Non-current assets	8 114 000	8 598 000
	8 933 000	9 339 000

Council managed an agency service on behalf of the Department of Roads & Public Works until 30 June 2011. The service has been transferred back to the department from 01 July 2011. As per agreement, the municipality will continue payment of the post service medical aid premiums of the retired employees to the service provider. The department will refund the employers portion of the instalment and the members will be responsible for the employee portion. Outstanding amounts are treated as receivables from non-exchange transactions. The receivables is valued by actuaries on a yearly basis which forms part of the analysis as per the employee benefits, refer to note 16.

Figures in Rand	2017	2016 Restated*

9 Intangible assets

	2017	2016 Restated*
Computer software		
Cost	1 600 854	1 431 195
Correction of error - cost		152 578
Accumulated amortisation and impairment	(837 795)	(541 017)
Correction of error - amortisation		(129 973)
Net carrying amount at 1 July (Restated)	763 058	912 782
Additions	-	76 651
Disposals: cost	(44 896)	(59 570)
Disposals: accumulated amortisation and impairment	44 895	45 960
Amortisation	(166 053)	(184 973)
Impairment	-	(27 792)
Net carrying amount at 30 June	597 004	763 058
Cost	1 555 958	1 600 854
Accumulated amortisation and impairment	(958 954)	(837 795)

No intangible asset was assessed as having an indefinite useful life.

None of the above intangible assets have been pledged as security.

There are no intangible assets whose title is restricted.

There are no contractual commitments for the acquisition of intangible assets.

There are no internally generated intangible assets at reporting date.

9.1 Intangible assets: Repairs and Maintenance

The nature of repairs and maintenance incurred by the municipality is contracted services.
Cost incurred to repair and maintain intangible assets amounted to R2 330 323,71. Refer to note 26.

10 Heritage assets : Statues

	2017	2016 Restated*
Cost at 1 July	631 417	631 417
Net carrying amount at 1 July	631 417	631 417
Additions	-	-
Net carrying amount at 30 June	631 417	631 417
Cost	631 417	631 417

Pledged as security
None of the above heritage assets have been pledged as security.

There are no restrictions on the realisability of heritage assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop heritage assets or for repairs, maintenance or enhancements.

The municipality has assessed the Heritage asset and confirm that there was no need for impairment at the end of the financial period.

10.1 Heritage assets: Repairs and Maintenance

The nature of repairs and maintenance incurred by the municipality is contracted services.
Cost incurred to repair and maintain heritage assets amounted to R345,00. Refer to note 26.

Figures in Rand	2017	2016 Restated*

11 Property, plant and equipment

30 June 2017	Cost revaluation	Accumulated depreciation	Carrying value
Land and buildings - community assets	151 676	(109 354)	42 322
Security measures	1 002 147	(733 406)	268 741
Computer equipment	5 121 863	(3 596 037)	1 525 825
Emergency equipment	4 004 293	(1 245 298)	2 758 995
Furniture and fittings	3 227 001	(2 647 591)	579 409
Land and buildings - other	56 276 133	(18 276 964)	37 999 169
Motor vehicle	9 300 947	(4 379 756)	4 921 190
Office equipment	3 727 476	(2 899 737)	827 738
Plant and machinery	2 375 494	(1 987 822)	387 872
	85 187 028	(35 875 767)	49 311 261

30 June 2016	Cost revaluation	Accumulated depreciation	Carrying value
Land and buildings - community assets	151 676	(101 694)	49 982
Security measures	898 471	(625 883)	272 588
Computer equipment	4 745 288	(3 202 846)	1 542 441
Emergency equipment	2 250 157	(954 129)	1 296 028
Furniture and fittings	3 197 243	(2 490 502)	706 741
Land and buildings - other	53 280 897	(17 513 806)	35 767 091
Motor vehicle	9 063 110	(4 117 058)	4 946 052
Office equipment	3 691 250	(2 572 068)	1 119 182
Plant and machinery	2 309 050	(1 832 704)	476 346
	79 587 142	(33 410 690)	46 176 452

Work in process (WIP)

Included in additions to property, plant and equipment are the following WIP which was not completed at the end of the financial year:

Transport Assets	1 754 136
Buildings	2 995 236
	4 749 371

Reconciliation of property, plant and equipment
Refer to note 11

Property, plant and equipment & intangible assets classification errors
Reclassification of note track system

With the preparation of the 2017 asset register it was discovered that the notepack management system is incorrectly classified as property, plant and equipment while is should have been capitalised as intangible asset. The effect of the restatement is summarised below.

Adjustments affecting the statement of financial position

Increase in intangible assets	22 604
Decrease in Property, plant and equipment	(22 604)
	-

Reclassification of PPE

Further more it was found during the preparation of the 2017 register that there were some classification errors between the asset classes within property, plant and equipment. The comparative statements for 2015/2016 have been restated to correct the classification to the different categories within property, plant and equipment. The effect of classification corrections within property, plant and equipment has not effect on the line items of the financial statements. It did result in increase in cost of land and buildings and the decrease in furniture and fittings of R16 965 .

Adjustments effecting property, plant and equipment

Land and buildings	
Furniture and fittings	(955 249)
Emergency equipment	(18 619)
Office Equipment	972 203
Computer equipment	7 381
Plant & Machinery	(3 138)
	(2 579)
	-

Figures in Rand	2017	2016 Restated*

11.1 Property, plant and Equipment: Repairs and Maintenance

The nature of repairs and maintenance incurred by the municipality is contracted services.
Cost incurred to repair and maintain property, plant and equipment amounted to R1 605 461,25. Refer to note 26.

12 Payables from exchange transactions

	2017	2016
Deposit: rent buildings	570	2 394
Insurance control account	-	1 435
Payments received in advance	18 259	126 171
Retentions	356 419	479 108
Salary Control: Main account	2 046 525	-
Salary Control: Medical aid continiued members	179	-
Salary Control: SITE / PAYE	113 517	3 269
Salary Control: Unclaimed salaries	4 055	-
Standard Bank fleet card	128 242	83 962
Sundry creditors	8 921 062	7 749 200
	11 588 848	8 445 539

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

Refer to note 35 for correction of prior period error.

13 Unspent conditional government grants and receipts

	2017	2016
District Aids Council	250 000	162 596
Finance management grant	181 699	-
Municipal systems improvement grant	-	46 063
NCPA: Firefighting equipment	-	665 000
NCPA: Operation Kgotso Pula Nala	-	1 999 999
NCPA: Tourism grant	-	200 000
ABSA: Tourism Grant	40 000	-
	471 699	3 073 659

	2017	2016
Movement during the year		
Opening balance	3 073 659	1 177 558
Current-year receipts	111 579 227	112 569 249
Conditions met-transferred to revenue	(114 012 528)	(110 413 263)
Transferred back to National Treasury	(208 659)	(259 885)
	431 699	3 073 659

See note 18 for reconciliation of grants Government grants and subsidies.

14 Long-term liabilities

	2017	2016
At amortised cost		
Development Bank of South Africa	4 663 622	6 649 115

A fixed term loan over a period of 10 years was taken up with the Development Bank of Southern Africa to construct a new council Chamber and offices. In terms of the service level agreement, as amended, the loan will be repaid in 18 six -monthly instalments with the first instalment payable on 31 December 2010 at a interest rate of 10.9 %. Interest payments commenced on 30 June 2009.

	2017	2016
	4 663 622	6 649 115
Current liabilities	2 179 033	1 988 393
Non-current liabilities	2 484 589	4 660 722
	4 663 622	6 649 115

Figures in Rand	2017	2016 Restated*

Defaults and breaches
There were not defaults or breaches in terms of the agreement during the current or prior year.

Refer to the maturity dates of long term liabilities

	2017	2016 Restated*
Minimum payments under annuity loans:		
- within one year	2 659 315	2 659 315
- in second to fifth year inclusive	2 707 079	7 977 946
- later than five years	-	-
	5 366 395	10 637 261
Less: future finance obligations	(702 773)	(3 988 146)
Present value of annuity obligations	4 663 622	6 649 115

15 Current employee benefits

	2017	2016 Restated*
Current portion of post-retirement healthcare benefits	1 205 000	1 058 000
Current portion of post-retirement healthcare benefits: Roads	819 000	741 000
Current portion of long service awards	417 000	193 000
Current portion of ex-gracia pension benefits	35 000	34 090
Performance bonus	534 788	423 018
Staff leave	5 983 323	5 548 577
Staff bonus	1 656 611	1 443 038
	10 650 721	9 440 722

The movement in current employee benefits are reconciled as follows:

Performance bonus

	2017	2016 Restated*
Balance at beginning of year	423 018	509 040
Contribution to current portion	653 076	361 557
Expenditure incurred	(541 306)	(447 579)
	534 788	423 018

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists.

Staff leave

	2017	2016 Restated*
Balance at beginning of year	5 548 577	5 196 735
Contribution to current portion	1 253 204	1 674 221
Expenditure incurred	(818 457)	(1 322 380)
	5 983 323	5 548 577

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Staff bonus

	2017	2016 Restated*
Balance at beginning of year	1 443 038	1 419 974
Contribution to current portion	2 746 892	2 527 155
Expenditure incurred	(2 533 320)	(2 504 090)
	1 656 611	1 443 038

Bonuses are being paid to all municipal staff. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle.

16 Employee benefits

	2017	2016 Restated*
Post-retirement healthcare benefits: Frances Baard	19 936 999	17 395 000
Post-retirement healthcare benefits: Roads	8 114 000	8 598 000
Long service awards	1 536 000	1 599 000
Ex-gratia pension benefits	114 001	121 911
	29 700 999	27 713 911

Figures in Rand	2017	2016 Restated*
Post-retirement healthcare benefits: Frances Baard		
Balance 1 July	18 453 000	16 477 830
Contribution for the year	568 000	580 573
Interest cost	1 809 999	1 381 299
Expenditure for the year	(999 031)	(942 221)
Actuarial (gain)/loss	1 310 031	955 519
	21 141 999	18 453 000
Less: Transfer to current portion	(1 205 000)	(1 058 000)
	19 936 999	17 395 000
Post-retirement healthcare benefits: Roads		
Balance 1 July	9 339 000	10 438 717
Interest cost	892 000	856 273
Expenditure for the year	(740 364)	(762 681)
Actuarial (gain)/loss	(557 636)	(1 193 309)
	8 933 000	9 339 000
Less: Transfer to current portion	(819 000)	(741 000)
	8 114 000	8 598 000
Long service awards		
Balance 1 July	1 792 000	1 608 516
Contribution for the year	220 000	201 377
Interest cost	154 000	121 389
Expenditure for the year	(112 189)	(130 296)
Actuarial (gain)/loss	(100 811)	(8 986)
	1 953 000	1 792 000
Less: Transfer to current portion	(417 000)	(193 000)
	1 536 000	1 599 000
Ex-gratia pension benefits		
Balance 1 July	156 000	160 580
Interest cost	11 000	10 450
Expenditure for the year	(34 090)	(34 090)
Actuarial (gain)/loss	16 091	19 060
	149 001	156 000
Less: Transfer to current portion	(35 000)	(34 090)
	114 001	121 910
Total employee benefits		
Balance 1 July	29 740 000	28 685 643
Contribution for the year	788 000	781 950
Interest cost	2 866 999	2 369 411
Expenditure for the year	(1 885 674)	(1 869 288)
Actuarial (gain)/loss	667 675	(227 716)
	32 176 999	29 740 000
Less: Transfer to current portion	(2 476 000)	(2 026 090)
	29 700 999	27 713 911

16.1 ***Post-retirement healthcare benefit***

	2017	2016
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	27 792 000	26 916 547
Current service cost	568 000	580 573
Interest Cost	2 701 999	2 237 572
Benefits Paid	(1 739 395)	(1 704 902)
Actuarial (gains)/losses	752 395	(237 790)
Present value of fund obligation at the end of the year - wholly unfunded	30 074 999	27 792 000
Less: Transfer to current portion	(2 024 000)	(1 799 000)
Present value of fund obligation	28 050 999	25 993 000

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2017	2016
In-service (employee) members	67	62
In-service (employee) non-members	29	36
Continuation members (e.g. Retirees, widows, orphans)	47	46
	143	144

Figures in Rand	2017	2016 Restated*

The liability in respect of past service has been estimated to be as follows:

	2017	2016
In-service members	8 742 000	6 712 000
Continuation members	21 333 000	21 080 000
	30 075 000	27 792 000

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016	2015	2014
In-service members	6 712 000	6 746 836	5 048 295
Continuation members	21 080 000	20 169 711	19 988 004
	27 792 000	26 916 547	25 036 299

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas
Keyhealth
LA Health
ProSano
SAMWU Medical Aid

Key actuarial assumptions used:

Rate of interest	
Discount rate	Yield curve
Health Care Cost Inflation Rate	Equal to CPI + 1
Net Effective Discount Rate	Yield curve based

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping".

Mortality rates

Mortality before retirement is based on SA 85-90 mortality tables. Mortality for pensioners was based on the PA 90 ultimate mortality rates.

Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

Valuation reports
The last valuation was performed on 30 June 2017.

Actuarial valuation method
The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity Analysis on the Accrued Liability

	In-service members liability	Continuation members liability	Total liability
Central assumptions	8 742 000	21 333 000	30 075 000

The Future-service Cost for the ensuing year is estimated to be R 742,000 , whereas the Interest- Cost for the next year is estimated to be R 3,002,000 .

Sensitivity Analysis on the future service cost and interest

2017	Current-service cost	Interest cost	Total
Central Assumption			
Health care inflation - (1%) change	599 000	2 678 000	26 953 000
Health care inflation - 1% change	927 000	3 393 000	33 815 000
Withdrawal Rate - 20% change	813 000	3 312 000	33 081 000
Withdrawal Rate - (20%) change	683 000	2 759 000	27 716 000

Figures in Rand		2017	2016 Restated*

2016 Central Assumption	Current-service cost	Interest cost	Total
Health care inflation - (1%) change	717 000	3 059 000	31 316 000
Health care inflation - 1% change	455 000	2 405 000	24 865 000
Withdrawal Rate - 20% change	521 000	2 480 000	25 582 000
Withdrawal Rate - (20%) change	627 000	2 986 000	30 626 000

16.2 **Long service awards**

The Long Service Bonus plans are defined benefit plans.

Reconciliation of present value of fund obligation:	2017	2016
Present value of fund obligation at the beginning of the year	1 792 000	1 608 516
Current service cost	220 000	201 377
Interest Cost	154 000	121 389
Benefits Paid	(112 189)	(130 296)
Actuarial (gains)/losses	(100 811)	(8 986)
Present value of fund obligation at the end of the year - wholly unfunded	1 953 000	1 792 000
Less: Transfer to current portion	(417 000)	(193 000)
Present value of fund obligation	1 536 000	1 599 000
As at year end, the following number of employees were eligible for Long Service Bonuses.	96	99

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016	2015	2014
Total liability	1 792 000	1 608 517	1 278 285

Key actuarial assumptions used:

Rate of interest	
Discount rate	Yield curve
General salary inflation	Equal to CPI + 1
Net Effective Discount Rate applied to salary-related long service awards	Yield curve based

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping".

Valuation reports
The last valuation was performed on 30 June 2017.

Actuarial valuation method
The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity Analysis on the future service cost and interest

2017 Central Assumption	Current-service cost	Interest cost	Total
General salary inflation - (1%) change	210 000	188 000	1 652 000
General salary inflation - 1% change	253 000	202 000	2 094 000
Withdrawal Rate - 20% change	257 000	218 000	2 091 000
Withdrawal Rate - (20%) change	207 000	189 000	1 830 000

2016 Central Assumption	Current-service cost	Interest cost	Total
General salary inflation - (1%) change	242 000	165 000	1 924 000
General salary inflation - 1% change	200 000	143 000	1 673 000
Withdrawal Rate - 20% change	143 000	196 000	1 676 000
Withdrawal Rate - (20%) change	248 000	166 000	1 924 000

Figures in Rand	2017	2016 Restated*

16.3 Ex-gracia pension benefits

The Ex-Gratia plans are defined benefit plans. As at year end, 2 employees were eligible for Ex-Gratia payments.

There is no future-service costs as there are no current in-service members eligible for ex-gratia payments, whereas the interest cost for the next year is estimated to be R10,000.

	2017	2016
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	156 000	160 580
Interest Cost	11 000	10 450
Benefits Paid	(34 090)	(34 090)
Actuarial (gains)/losses	16 090	19 060
Present value of fund obligation at the end of the year - wholly unfunded	149 000	156 000
Less: Transfer to current portion	(35 000)	(34 090)
Present value of fund obligation	114 000	121 910

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016	2015	2014
Total liability	149 000	156 000	160 580

Key actuarial assumptions used:

	2017	2016
Rate of interest		
Discount rate	7.34%	7.78%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping".

Valuation reports
The last valuation was performed on 30 June 2017.

Actuarial valuation method
The projected unit credit funding method has been used to value the liabilities.

16.4 Retirement funds

The municipality requested detailed employee and pensioner information as well as information on the municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the municipality's process to value the defined benefit liabilities, the municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the municipality. Without detailed pensioner data the municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

Cape joint retirement fund

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 100%.

	2017	2016
Contributions paid recognised in the statement of financial performance	5 807 682	5 394 092

Figures in Rand	2017	2016 Restated*

Defined contribution fund

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the statement of financial performance

	2017	2016
Municipal Councillors Pension Fund	-	-
SAMWU National Provident Fund	23 525	-
	23 525	-

17 Accumulated surplus

	Capital replacement reserve	Accumulated surplus	Total
Balance at 1 July 2015	9 186 800	70 511 240	79 698 040
Deficit for the year	-	(16 496 889)	(16 496 889)
Property, plant and equipment purchased	(5 582 005)	5 582 005	-
Transfer to capital replacement reserve	11 677 000	(11 677 000)	-
Offset of depreciation	-	252 695	252 695
Correction of error (Note34)	-	111 427	111 427
Balance as at 30 June 2016	15 281 795	48 283 478	63 565 272
Surplus for the year	-	(15 441 191)	(15 441 191)
Property, plant and equipment purchased	(7 324 713)	7 324 713	-
Offset of depreciation	-	263 961	263 961
Balance as at 30 June 2017	7 957 082	40 430 960	48 388 042

18 Government grants and subsidies

	2017	2016
Unconditional grants		
Equitable share	105 416 000	98 936 000
Conditionl grants		
National Government	3 495 301	4 296 937
Provincial Government	5 101 226	7 180 326
	8 596 528	11 477 264
Total government grants and subsidies	114 012 528	110 413 264
Operating grants	111 585 528	110 413 264
Capital grants	2 427 000	-
	114 012 528	110 413 264

Revenue recognised per vote as required by Section 123(c) of the MFMA

	2017	2016
Equitable share	105 416 000	98 936 000
Budget & Treasury	1 154 528	1 392 481
Executive & Council	-	387 794
Housing	800 000	3 300 051
Planning & Development	5 626 999.48	6 046 939
Public Safety	1 015 000	350 000
	8 596 528	11 477 264
	114 012 528	110 413 264

Figures in Rand	2017	2016 Restated*
Equitable share		
Opening balance	-	-
Current-year receipts	105 416 000	98 936 000
Conditions met-transferred to revenue	(105 416 000)	(98 936 000)
	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

District Aids Council		
Opening balance	162 596	550 390
Current-year receipts	250 000	-
Conditions met-transferred to revenue	-	(387 794)
Transferred back to National Treasury	(162 596)	-
Conditions still to be met - refer to note 13	250 000	162 596

The grant is from Department of Health to finance the costs of District Aids Councils in the campaign against AIDS and also to provide HIV /AIDS prevention care programs and services in the region.

Finance management grant		
Opening balance	-	-
Current-year receipts	1 250 000	1 250 000
Conditions met-transferred to revenue	(1 068 301)	(1 250 000)
Conditions still to be met - refer to note 13	181 699	-

The FMG is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

Municipal systems improvement grant		
Opening balance	46 063	259 885
Current-year receipts	-	940 000
Conditions met-transferred to revenue	-	(893 937)
Transferred back to National Treasury	(46 063)	(259 885)
Conditions still to be met - refer to note 13	-	46 063

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

NCPA: EPWP: DMA bush clearance		
Opening balance	-	-
Current-year receipts	1 000 000	1 000 000
Conditions met-transferred to revenue	(1 000 000)	(1 000 000)
Conditions still to be met - refer to note	-	-

The grant is used for clearance and vegetation control of areas in the DMA.

NCPA: Environmental health recycling project		
Opening balance	-	52 283
Conditions met-transferred to revenue	-	(52 283)
Conditions still to be met - refer to note 13	-	-

Grant is used for Frances Baard recycling projects.

Figures in Rand	2017	2016 Restated*
NCPA: Firefighting equipment		
Opening balance	665 000	315 000
Current-year receipts	-	350 000
Conditions met-transferred to revenue	(665 000)	-
Conditions still to be met - refer to note 13	-	665 000

Grant is used to enhance municipalities' capacity to deal with fire hazards.

NCPA: Housing accreditation grant		
Opening balance	-	-
Current-year receipts	800 000	1 050 000
Conditions met-transferred to revenue	(800 000)	(1 050 000)
Conditions still to be met - refer to note 13	-	-

The grant is used to enable the District Municipality to obtain full accreditation to administer national housing programmes in terms of the delegation of functions from Department of Cooperative Governance, Human Settlements & Traditional Affairs.

NCPA: Housing project		
Opening balance	-	-
Current-year receipts	-	2 250 051
Conditions met-transferred to revenue	-	(2 250 051)
Conditions still to be met - refer to note 13	-	-
NCPA: Operation Kgotso Pula Nala		
Opening balance	1 999 999	-
Current-year receipts	-	4 000 000
Conditions met-transferred to revenue	(1 999 999)	(2 000 001)
Conditions still to be met - refer to note 13	-	1 999 999
NCPA: Tourism grant		
Opening balance	200 000	-
Current-year receipts	-	200 000
Conditions met-transferred to revenue	(200 000)	-
Conditions still to be met - refer to note 13	-	200 000
NEAR control centre		
Opening balance	-	-
Current-year receipts	350 000	350 000
Conditions met-transferred to revenue	(350 000)	(350 000)
Conditions still to be met - refer to note 13	-	-

The grant is used to maintain effective functioning of the NEAR control centres and provide additional funds for training NEAR personnel.

Rural road asset management system grant		
Opening balance	-	-
Current-year receipts	2 427 000	2 153 000
Conditions met-transferred to revenue	(2 427 000)	(2 153 000)
Conditions still to be met - refer to note 13	-	-
SETA: Skills grant		
Opening balance	-	-
Current-year receipts	86 227	90 198
Conditions met-transferred to revenue	(86 227)	(90 198)
Conditions still to be met - refer to note 13	-	-

The grant is used for training and capacity building of employees as per approved Skills Work Plan.

Figures in Rand		2017	2016 Restated*
	Total government grants and subsidies		
	Opening balance	3 073 659	1 177 558
	Current-year receipts	111 579 227	112 569 249
	Conditions met-transferred to revenue	(114 012 528)	(110 413 263)
	Transferred back to National Treasury	(208 659)	(259 885)
	Conditions still to be met - refer to note	431 699	3 073 659
19.1	**Public contributions and donations**		
	Opening balance	-	-
	Current-year receipts	40 000	-
	Conditions met-transferred to revenue	-	-
	Transferred back to National Treasury	-	-
	Conditions still to be met - refer to note 13	40 000	-
	Tourism business plan competition		
19	**Rental of facilities & equipment**		
	Buildings	45 939	45 939
	Land	40 320	39 890
	Machinery/Equipment	902 400	557 941
		988 659	643 770
20	**Interest received**		
	Standard Bank Kimberley Business Centre - Primary bank	308 218	209 744
	Call investment - ABSA	1 295 583	2 224 582
	Investment - Other	4 248	76 446
	Call investment - Nedcor	2 318 424	2 183 037
	Call investment - Rand Merchant	970 288	884 939
	Call investment - Standard Bank	1 908 472	2 287 407
		6 805 233	7 866 135
21	**Other income**		
	Commission: insurance payments	12 900	11 532
	Reversal of impairment	-	1 713 113
	Insurance claims / replace stolen assets	37 385	301 493
	Other	57 991	12 245
	Private telephone calls / photo copies	25 633	32 241
	Rentals of facilities	-	25 677
	Tender fees	6 800	38 628
		140 709	2 134 929
22	**Employee related costs**		
	Salaries and wages	38 456 522	34 334 808
	Contributions for UIF, pensions and medical aids	7 288 242	7 172 698
	Motor car and other allowances	4 010 426	4 305 063
	Housing benefits and allowances	354 782	389 658
	Scarcity allowance	294 881	-
	Leave benefit	1 253 203	1 674 221
	Annual bonus	2 666 043	2 527 155
	Performance bonus	653 078	361 557
	Other obligatory contributions (SDL, etc.)	793 984	720 414
	Group insurance	522 919	476 154
	Long service bonus	220 000	201 377
	Post-retirement medical aid	568 000	580 573
		57 082 078	52 743 677

Municipal Manager and all other directors are appointed on a 5-year fixed term contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

	2017	2016 Restated*
Remuneration of the Municipal Manager - Ms ZM Bogatsu		
Annual remuneration	1 638 363	1 776 349
Performance bonuses	175 235	301 252
	1 813 598	2 077 601

Figures in Rand	2017	2016 Restated*
Remuneration of the Acting Director Financial Services - Ms. O Moseki		
Annual remuneration	820 063	751 275
Performance bonuses	120 673	104 005
	940 736	855 280
Remuneration of the Executive Director Administration - Mrs. KG Gaborone		
Annual remuneration	94 021	-
Performance bonuses	-	-
	94 021	-
Remuneration of Executive Director: Infrastructure Services - Mr PJ van der Walt		
Annual remuneration	1 015 316	1 188 651
Performance bonuses	120 673	104 005
	1 135 989	1 292 656
Remuneration of Executive Director: Planning & Development - Mr FS Mdee		
Annual remuneration	-	1 265 247
Performance bonuses	124 725	104 005
	124 725	1 369 252

The director retired on 30 June 2016

	2017	2016 Restated*
Remuneration of Executive Director: Planning & Development - Mr F Netshivhodza (Acting)		
Annual remuneration	235 170	-
Performance bonuses	-	-
	235 170	-

23 Remuneration of councillors

	2017	2016 Restated*
Mayor	802 970	807 929
Speaker	658 609	650 515
MPAC Chairman	255 826	337 003
Mayoral committee members	2 714 663	2 821 013
Councillors	1 500 807	1 280 775
Other obligatory contributions (SDL, etc)	17 614	90 418
	5 950 489	5 987 653

In-kind Benefits

The Executive Mayor, Speaker and all the Mayoral committee members are full-time. The Mayor is provided with secretarial support and an office at the cost of the municipality.

The Executive Mayor makes use of a municipal vehicle for official duties.

24 Debt impairment

	2017	2016 Restated*
Contributions to debt impairment provision		
Receivables from non-exchange transactions - Note 5	-	-
Bad debts written off	2 219	-
	2 219	-

25 Depreciation and amortisation

	2017	2016 Restated*
Intangible assets	166 054	184 973
Property, plant and equipment	3 760 459	3 775 996
	3 926 513	3 960 969

26 Contracted Services : Repairs and Maintenance

	2017	2016 Restated*
Buildings	333 623	344 837
Computer equipment	123 353	170 636
Heritage assets	345	-
Intangible assets	2 330 324	1 796 974
Machnery & equipment	239 110	418 943
Motor vehicles	467 755	269 485
Office equipment	441 620	519 736
	3 936 130	3 520 611

Repairs and maintenance for the 2015/16 financial has been reclassified as contracted services. The repairs and maintenance amount for 2015/16 was R3 520 611. Reclassification in terms of GRAP 1 par. 104.

Figures in Rand	2017	2016 Restated*
27 Finance charge		
Finance charges - external funding		
Long-term liabilities	673 822	884 112
	673 822	884 112
Finance charges - employee benefits		
Employee benefits	1 975 000	1 513 138
28 Grants and subsidies paid		
Grants and subsidies paid to other municipalities	35 773 662	36 187 382
Grants paid to other organs of state	135 000	135 000
Other special projects	13 037 854	18 299 065
	48 946 516	54 621 447
Grants and subsidies paid to other municipalities		
Dikgatlong Municipality		
Electricity	-	200 641
Maintenance projects	3 207 998	2 498 753
Streets and stormwater	-	2 000 636
Water	10 315 147	256 293
	13 523 145	4 956 323
Magareng Municipality		
Maintenance projects	3 768 621	2 500 000
Sanitation	-	7 772 751
Truck and equipment	-	1 873 900
	3 768 621	12 146 650
Phokwane Municipality		
Maintenance projects	4 292 183	2 499 032
Sanitation	4 500 000	678 625
Streets and stormwater	-	7 432 307
Water	962 246	-
	9 754 429	10 609 963
Sol Plaatje Municipality		
Maintenance projects	3 727 466	2 500 000
Streets and stormwater	5 000 000	-
Water	-	5 974 445
	8 727 466	8 474 445
	35 773 662	36 187 382
Grants paid to other organs of state		
Northern Cape Tourism Authority	135 000	135 000
	135 000	135 000
Other special projects		
Communication projects	59 957	-
Disaster management	446 323	926 908
Employee wellness programmes	231 049	151 764
Environmental health projects	185 925	115 132
Financial management and support programmes	1 305 990	1 577 491
GIS projects	494 453	599 991
Housing awareness	-	2 293 442
IDP / PMS projects	33 929	42 457
Information technology projects	1 014	553
Internal audit	-	357 376
Local economic development	2 798 751	2 638 426
Operation Khotso Pula Nala	2 000 000	2 000 002
Planning and development projects	-	825 910
Political office administration	213 233	450 537
Project management projects	4 495	1 798 877
Spatial planning projects	404 791	2 025 184
Special Projects: Office of the Mayor and Speaker	82 331	101 134
Tourism projects	2 470 879	2 027 416

Figures in Rand	2017	2016 Restated*
Youth unit	248 408	368 467
RAMS	2 056 329	-
	13 037 854	18 299 065

29 General expenses

	2017	2016 Restated*
Accommodation	1 201 461	843 589
Audit fees	1 929 239	1 762 995
Bank charges	80 219	48 118
Books, printing and stationery	710 365	697 272
Cellphones	18 960	66 756
Cleaning materials	65 581	57 400
Cleaning motor vehicles	14 665	13 780
Conferences and seminars	192 590	147 783
Consultancy	2 190 196	1 345 867
Entertainment / refreshments	275 177	229 421
General expenses	170 649	399 410
General notices	718 119	946 917
Gifts	-	3 139
Insurance	316 970	402 638
Motor vehicle operating cost	538 348	524 837
Municipal services and taxes	2 011 704	2 266 507
Office requirements	501	4 360
Pauper burials	6 000	12 000
Postage	16 452	13 901
Protective clothing	43 617	32 791
Relocation costs	127 908	119 571
SALGA membership fees	679 999	628 254
Internal auditors' membership fees	6 805	8 079
Security services	609 094	589 826
Study bursaries	103 746	73 367
Training	764 363	938 984
Telephone / data lines	-	380 389
Transportation	469 239	583 380
	13 261 969	13 141 331

Mr. G Botha served on the audit committee for the 2016/17 financial year, he is a government employee and therefore is not entitled to receive any compensation for duties performed as a member of the audit committee.

30 Net cash flow to operating activities

	2017	2016 Restated*
Operating deficit for the year	(15 441 191)	(16 496 889)
Adjustment for:		
Depreciation	3 760 459	3 775 996
Amortisation	166 054	184 973
Loss on disposal of assets	429 444	216 455
Grants received	111 619 227	112 569 249
Grant expenditure	(114 221 187)	(110 413 263)
Operating lease income accrued	(281)	(2 247)
Contribution from/to employee benefits - current	4 653 172	4 562 933
Contribution from/to employee benefits - current - expenditure	(3 893 083)	(4 274 049)
Contribution from/to employee benefits - non-current	3 654 899	3 151 361
Contribution from/to employee benefits - non-current - expenditure	(1 885 674)	(1 869 288)
Actuarial losses	667 675	(227 716)
Movement in revaluation reserve	(263 961)	4 966 599
Other movement in accumulated surplus	263 961	111 427
Changes in working capital		
Inventory	(34 551)	20 536
Receivables from non-exchange transactions	(18 337)	(223 479)
VAT receivable	2 031 238	1 469 081
Payables from exchange transactions	3 143 309	(2 089 834)
	(5 368 729)	(4 548 153)

Figures in Rand	2017	2016 Restated*

31 Commitments

	2017	2016
Authorised capital expenditure		
Property, plant and equipment	9 496 900	12 838 020
Intangible assets	590 000	10 000
	10 086 900	12 848 020

A service provider was appointed to contract and deliver a water tanker for disaster management services. The original date of delivery was end of May 2017. The delivery date could not be met and the date was moved to the end of October 2017.

32 Contingencies

None

33 Related parties

None

34 Prior period error

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Statement of financial position

Receivables from non-exchange transactions	Unidentified deposits of the previous year reclassified as receivables.	3 391
Property, plant and equipment	Correction of prior year opening balance, as raised by the Auditor General.	(102 185)
Payables from exchange transactions	The correction payables is due to the implementation of mSCOA at the being of 2016/17 financial year, which resulted in incorrect allocation of payables.	(12 632)
Accumulated surplus	Correction of the above mentioned has a net effect on the accumulated surplus.	111 427
		-

Receivables from non-exchange transactions		
Balance as previously reported		1 757 951
Allocation of un-identified deposits	Unidentified deposits of the previous year reclassified as receivables.	(3 391)
Restated amount		1 754 561

Payables from exchange transactions		
Balance as previously reported		8 458 171
Correction of payables incorrectly disclosed	The correction payables is due to the implementation of mSCOA at the being of 2016/17 financial year, which resulted in incorrect allocation of payables.	(39 764)
Restatement of prior year payables incorrectly paid on the 2017/2018 year	The correction payables is due to the implementation of mSCOA at the being of 2016/17 financial year, which resulted in incorrect allocation of payables.	27 132
Restated amount		8 445 539

Accumulated surplus		
Balance as previously reported		63 453 846
Un-allocated deposits	Unidentified deposits of the previous year reclassified	(3 391)
Restatement of payables	Correction of prior year creditors' balance, due to misstatement as a result of the implementation of mSCOA.	187 806
Restatement of prior year depreciation	Correction of prior year opening balance, as raised by the Auditor General.	102 185
Restated amount		63 740 446

Figures in Rand	2017	2016 Restated*

35 Risk management

Financial risk management

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Foreign exchange currency risk

The municipality does not engage in foreign currency transactions.

Price risk

The municipality is not exposed to price risk.

Interest rate risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

	2017	2016
1% (2016 - 1%) Increase in interest rates	499 385	551 736
0.5% (2016 - 0.5%) Decrease in interest rates	(249 692)	(275 868)

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term receivables and other debtors are individually evaluated annually at statement of financial position date for impairment.

Financial assets exposed to credit risk at year end are as follows:

	2017	2016
Investments	5 950 000	5 550 000
Receivables from exchange transactions	-	-
Receivables from non-exchange transactions	1 772 898	1 754 561
Cash and cash equivalents	54 602 119	69 275 054
Long-term receivables	8 933 000	9 339 000
	71 258 017	85 918 615

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Over 5 Years
2017			
Capital repayments	2 179 033	2 484 589	-
Interest	673 822	222 490	-
Long-term liabilities - annuity loans	2 852 855	2 707 079	-
Payables from exchange transactions	11 588 848	-	-
Unspent conditional government grants and receipts	471 699	-	-
Bank overdraft	-	-	-
	14 913 402	2 707 079	-
2016			
Capital repayments	1 985 493	4 663 622	-
Interest	673 822	702 773	-
Long-term liabilities - annuity loans	2 659 315	5 366 395	-
Payables from exchange transactions	8 445 539	-	-
Unspent conditional government grants and receipts	3 073 659	-	-
Bank overdraft	-	-	-
	14 178 513	5 366 395	-

36 Financial instrument disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	Total
Investments			
Bank deposits		5 950 000	5 950 000
Cash and cash equivalents			
Call investment deposits	-	50 001 000	50 001 000
Cash floats	-	3 300	3 300
Primary bank account		4 597 819	4 597 819
Recievables from non-exchange transactions	-	1 772 898	1 772 898
	-	56 375 017	56 375 017

Financial liabilities

	At fair value	At amortised cost	Total
Payables from exchange transactions	-	11 588 848	11 588 848
Unspent conditional government grants and receipts	-	471 699	471 699
Current portion of long-term liabilities	-	2 179 033	2 179 033
Long-term liabilities	-	2 484 589	2 484 589
	-	16 724 169	16 724 169

Figures in Rand	2017	2016 Restated*

2016

Financial assets

	At fair value	At amortised cost	Total
Investments			
Bank deposits	-	5 550 000	5 550 000
Cash and cash equivalents			
Call investment deposits	-	66 000 000	66 000 000
Cash floats	-	3 300	3 300
Primary bank account	-	3 271 754	3 271 754
Recievables from non-exchange transactions	-	1 754 561	1 754 561
	-	76 579 615	76 579 615

Financial liabilities

	At fair value	At amortised cost	Total
Payables from exchange transactions	-	8 445 539	8 445 539
Unspent conditional government grants and receipts	-	3 073 659	3 073 659
Current portion of long-term liabilities	-	1 988 393	1 988 393
Long-term liabilities	-	4 660 722	4 660 722
	-	18 168 313	18 168 313

37 Going concern

The municipality's cash flow forecast for the year to 30 June 2018 has been reviewed and management is satisfied that the municipality can continue in operational existance for the foreseeable future.

38 Events after reporting date

The municipality has no events after reporting date during the current financial year.

39 In-kind donations and assistance

The municipality did not receive any in-kind donations or assistance during the financial year under review.

40 Private public partnership

The municipality has not entered into any private public partnerships during the financial year.

41 Unauthorised expenditure

	2017	2016
Opening balance	6 455	-
Incurred during the year - capital	-	-
Incurred during the year - operational	-	6 455
Written off by council	(6 455)	-
Unauthorised expenditure awaiting further action	-	6 455

The expenditure was written off by council during the 2016/2017 financial year.

Figures in Rand	2017	2016 Restated*

42 Fruitless and wasteful expenditure

Opening balance	5 610	216 856
Incurred during the year	19 654	42 077
Written off by council/recovered	(11 103)	(186 583)
Transfer to receivables for recovery	(12 954)	(66 740)
Fruitless and wasteful expenditure awaiting further action	1 207	5 610

Details of expenditure – current year		
Lateral Unison	750	-
Lateral Unison	2 500	-
Worldwide Travel	2 279	-
Lateral Unison	7 425	-
Zuri Concepts & Projects	1 200	-
Boniseisa Media House	5 500	-
University of Fort Hare	-	5 000
University of Fort Hare	-	25 000
University of Fort Hare	-	10 000
Lateral Unison PTY LTD	-	2 077
	19 654	42 077

Recoverability of all fruitless and wasteful expenditure will be evaluated by Council in terms of section 32 of MFMA. The Accounting Officer wrote letters to officials and the Speaker to councillors. Consolidated responses were taken to MPAC for further investigations.

43 Irregular expenditure

Opening balance	-	582 330
Incurred during the year	412 006	-
Written off by council	(407 541)	(582 330)
Transfer to receivables for recovery	(4 465)	-
Irregular expenditure awaiting further action	-	-

Details of expenditure – current year		
Summat Training Institute	279 300	-
Year-End Function	49 750	-
Shine The Way 1302 CC	28 500	-
Councillor Maribe	4 465	-
Pick n' Pay	49 990	
	412 006	-

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. The Accounting Officer wrote letters to officials and the Speaker to councillors. Consolidated responses were taken to MPAC for further investigations.

44 Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA contributions		
Opening balance	-	-
Council subscriptions	679 999	628 254
Amount paid - current year	(679 999)	(628 254)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

Audit fees - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year audit fees	1 929 239	1 762 995
Amount paid - current year	(1 929 239)	(1 762 995)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

Figures in Rand	2017	2016 Restated*
VAT - [MFMA 125 (1)(b)]		
Opening balance	5 396 847	6 862 811
Amounts received - current year	(4 809 851)	(4 854 334)
Amounts received - previous years	(5 392 599)	(4 973 929)
Amounts claimed - current year	6 928 406	8 362 199
	2 122 803	5 396 847

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

	2017	2016
PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	3 269	-
Current year payroll deductions and council contributions	12 367 334	10 523 848
Amount paid - current year	(12 259 086)	(10 520 579)
Balance unpaid (included in creditors)	111 517	3 269
Pension and medical aid deductions - [MFMA 125 (1)(b)]		
Opening balance	(2)	-
Current year payroll deductions and council contributions	12 703 879	9 356 677
Amount paid - current year	(12 703 877)	(9 356 679)
Balance unpaid (included in creditors)	-	(2)

45 Deviation from supply chain management regulations

Supply Chain Management Policy has been amended and adopted by Council with an effective date of 23 September 2015 for implementation.

The following deviations were allowed in terms of the Supply Chain Policy for the year under review.

2017

Supplier	Service	Amount
Esri SA	Maintenance renewal of Arc-gis licences	114 000
PWC	Baud bar code labels	2 787
		116 787

2016

Supplier	Service	Amount
Summat Training Institute	MFMA internship programme / training	279 300
Sage VIP Payroll	VIP payroll upgrade	114 717
Altimax	Review annual fanancial statements	146 661
Celebrity Heating and Cooling	Service and maintenance of air conditioners	R12 433 35 per service, R320.00 per hour labour & cost + 20% for parts
Tletse Trading Enterprises	Catering for district youth summit	49 500
Ous Meisies	Ous Meisies	49 750
Lexis Nexis	On-line library package	53 210
Letsebele Transport and Trading	Razor mech fence	847 440
		1 540 578

46 Reconciliation of available cash and investment resources

	2017	2016
Cash and cash equivalents - note 7	54 602 119	69 275 054
Investments - note 3	5 950 000	5 550 000
	60 552 119	74 825 054
Less:		
Payables from exchange transactions	(11 588 848)	(8 445 539)
Unspent conditional government grants and receipts - note	(471 699)	(3 073 659)
Current employee benefits	(10 650 721)	(9 440 722)
Cash reserves to cover expenditure for three months	-	(30 000 000)
Resources available	37 840 851	23 865 134
Allocated to:		
Capital replacement reserve	7 957 082	15 281 795
Employee benefits	29 700 999	27 713 911
Resources available/(required) for working capital requirements	182 769	(19 130 572)

Figures in Rand	2017	2016 Restated*

47 Utilisation of long-term liabilities reconciliation

Long-term liabilities - note 14	4 663 622	6 649 115
Used to finance property, plant and equipment - at cost	(4 663 622)	(6 649 115)
	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

Figures in Rand

11 Property, plant and equipment

Reconciliation of property, plant and equipment at 30 June 2017

	Cost / revaluation					Accumulated depreciation / impairment					
	Opening balance	Additions	Revaluation	Disposal	Closing balance	Opening balance	Depreciation	Revaluation / Impairment	Disposal	Closing balance	Carrying value
Community assets											
Land and buildings	151 678	-	-	-	151 678	101 694	7 661	-	-	109 354	42 322
Security measures	898 471	103 676	-	-	1 002 147	625 883	107 523	-	-	733 406	268 741
	1 050 147	103 676	-	-	1 153 823	727 576	115 184	-	-	842 760	311 063
Other assets											
Computer equipment	4 745 288	445 878	-	(69 302)	5 121 863	3 202 848	452 542	-	(59 351)	3 596 037	1 525 825
Emergency equipment	2 250 157	1 754 136	-	-	4 004 293	854 129	291 169	-	-	1 245 298	2 758 995
Furniture and fittings	3 197 243	54 393	-	(24 635)	3 227 001	2 490 502	180 135	-	(23 046)	2 647 591	579 409
Land and buildings - other	53 280 898	2 995 238	-	-	56 276 133	17 513 806	763 158	-	-	18 276 964	37 999 169
Motor vehicle	9 063 110	1 854 782	-	(1 616 946)	9 300 947	4 117 058	1 462 735	-	(1 200 037)	4 379 756	4 921 190
Office equipment	3 691 250	50 166	-	(13 944)	3 727 478	2 572 068	340 618	-	(12 949)	2 899 737	827 738
Plant and machinery	2 309 050	66 444	-	-	2 375 494	1 632 704	154 918	-	-	1 987 622	387 872
	78 536 996	7 221 036	-	(1 724 827)	84 033 205	32 683 114	3 648 275	-	(1 295 383)	35 033 004	49 000 189
	79 587 143	7 324 712	-	(1 724 827)	85 187 028	33 410 690	3 760 459	-	(1 295 383)	35 875 767	49 311 261

Reconciliation of property, plant and equipment at 30 June 2016

	Cost / revaluation					Accumulated depreciation / impairment					
	Opening balance	Additions	Revaluation	Disposal	Closing balance	Opening 11-46	Depreciation	Revaluation / Impairment	Disposal	Closing balance	Carrying value
Community assets											
Land and buildings	151 678	-	-	-	151 678	92 452	9 241			101 694	49 982
Security measures	898 471	-	-	-	898 471	495 713	130 169			625 883	272 588
	1 050 147	-	-	-	1 050 147	588 166	139 410	-	-	727 576	322 570
Other assets											
Computer equipment	4 806 214	433 106	-	(494 033)	4 745 288	3 089 127	558 984	-	(445 265)	3 202 848	1 542 441
Emergency equipment	1 292 097	972 214	-	(14 154)	2 250 157	638 551	128 949	-	(13 371)	854 129	1 396 028
Furniture and fittings	3 070 789	158 956	-	(32 502)	3 197 243	2 297 985	220 132	-	(27 615)	2 490 502	706 741
Land and buildings - other	47 518 614	2 078 905	3 683 479	-	53 280 897	20 087 084	500 733	(3 074 011)	-	17 513 806	35 767 091
Motor vehicle	7 659 903	1 755 448	-	(352 240)	9 063 110	2 807 139	1 551 980	-	(242 060)	4 117 058	4 946 052
Office equipment	3 902 308	86 981	-	(298 039)	3 691 250	2 395 754	436 126	-	(259 811)	2 572 068	1 119 182
Plant and machinery	2 289 305	19 744	-	-	2 309 050	1 605 031	227 673	-	-	1 832 704	476 346
	70 539 131	5 505 354	3 683 479	(1 190 967)	78 536 996	33 120 670	3 624 577	(3 074 011)	(988 122)	32 683 114	45 853 881
	71 589 277	5 505 354	3 683 479	(1 190 967)	79 587 142	33 708 836	3 763 988	(3 074 011)	(988 122)	33 410 690	46 176 452

FRANCES BAARD DISTRICT MUNICIPALITY

APPENDIX A

APPROPRIATION STATEMENT FOR THE YEAR ENDED ON 30 June 2017

BUDGET SUMMARY

Description R	2016/17 Original Budget	Budget Adjustments	Final adjust-ments budget	Actual Outcome	Unau-thorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	2015/16 Reported unau-thorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Financial Performance												
Property rates	-	-	-	-		-	-	-				-
Service charges	-	-	-	-		-	-	-				-
Investment revenue	5 443	300 000	5 743 350	6 805 233	-	1 061 883	118.5%	125.0%				6 882 369
Transfers recognised - operational	112 981	200 000	113 190 522	114 012 529	-	822 006	100.7%	100.9%				102 364 822
Other own revenue	1 211	-	1 211 110	1 150 537	-	(60 573)	95.0%	95.0%				1 124 338
Total Revenue (excluding capital transfers and contributions)	119 644	500 000	120 144 982	121 968 299	-	1 823 317	101.5%	101.9%				110 401 519
Employee costs	61 214 829	-	61 214 829	57 082 078	-	(4 132 661)	93.2%	93.2%	-	-		47 112 686
Remuneration of councillors	6 714 580	-	6 714 580	5 960 429	-	(754 091)	88.8%	88.8%	-	-		5 630 854
Debt impairment	3 000	-	3 000	2 219	-	(781)	74.0%	74.0%	-	-		-
Depreciation & asset impairment	3 826 820	-	3 826 620	3 926 513	99 893	99 893	102.6%	102.6%	-	-		3 749 000
Finance charges	2 165 610	-	2 165 610	2 648 622	483 012	483 012	122.3%	122.3%	-	-		2 380 770
Materials and bulk purchases	4 406 400	444 606	4 850 906	3 936 130	-	(914 779)	81.1%	89.3%	-	-		3 254 275
Transfers and grants	61 336 440	300 000	61 636 440	48 946 516	-	(12 689 924)	79.4%	79.8%	-	-		37 275 977
Other expenditure	20 602 144	(121 040)	20 481 104	13 681 413	219 444	(6 799 691)	66.8%	66.5%	-	-		13 365 104
Total Expenditure	160 268 823	623 468	160 892 081	136 184 169	802 350	(24 707 912)	84.6%	85.0%	-	-		112 868 896
Surplus/(Deficit)	(40 623 641)	(123 468)	(40 747 109)	(14 215 861)	(802 350)	26 531 228	34.9%	35.0%				(2 467 377)
Transfers recognised - capital	-	-	-	-	-	-	-	-				-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-				-
Surplus/(Deficit) after capital transfers & contributions	(40 623 641)	(123 468)	(40 747 109)	(14 215 861)	(802 350)	26 531 228	34.9%	35.0%				(2 467 377)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-				-
Surplus/(Deficit) for the year	(40 623 641)	(123 468)	(40 747 109)	(14 215 861)	(802 350)	26 531 228	34.9%	35.0%				(2 467 377)
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	-	-	-	-		-	-	-				-
Public contributions & donations	-	-	-	-		-	-	-				
Borrowing	-	-	-	-		-	-	-				-
Internally generated funds	18 036 000	(5 187 987)	12 848 013	5 570 577	-	(7 277 436)	43.4%	30.3%				2 124 642
Total sources of capital funds	18 036 000	(5 187 987)	12 848 013	5 570 577	-	(7 277 436)	43.4%	30.3%				2 124 642
Cash flows												
Net cash from (used) operating	(21 732 645)	36 960	(21 695 685)	(11 680 670)		(741 117)	83.8%	-				4 482 377
Net cash from (used) investing	(4 178 684)	(144 180)	(4 322 184)	(4 782 284)		(24 647)	110.6%	-				(2 837 208)
Net cash from (used) financing	(1 111 463)	-	(1 111 463)	(1 764 602)		(264 062)	100.0%	-				(1 608 834)
Cash/cash equivalents at the year end	86 993 829	6 340 617	80 353 272	69 278 064		(452 438)	116.8%	-				87 462 577

FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION

Description	2016/17								2015/16			
R	Original Budget	Budget Adjustments	Final adjust-ments budget	Actual Outcome	Un-authorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unau-thorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Revenue - Standard												
Governance and administration	103 993 350	300 000	104 293 350	104 665 890	-	372 540	100.4%	100.6%				95 955 850
Executive and council	420 000	-	420 000	-		(420 000)	-	-				4 732 810
Budget and treasury office	103 573 350	300 000	103 873 350	104 665 890		792 540	100.8%	101.1%				91 223 240
Corporate services	-	-	-	-		-	-	-				-
Community and public safety	2 257 622	2 257 622	2 257 622	1 815 000	-	(442 622)	80.4%	80.4%				1 695 000
Community and social services	-	-	-	-		-	-	-				
Sport and recreation	-	-	-	-		-	-	-				
Public safety	1 457 622	-	1 457 622	1 015 000		(442 622)	69.6%	69.6%				315 000
Housing	800 000	-	800 000	800 000		-	100.0%	100.0%				1 380 000
Health	-	-	-	-		-	-	-				
Economic and environmental services	13 384 113	13 584 113	13 584 113	15 267 399	-	1 683 286	112.4%	114.1%				12 750 560
Planning and development	13 384 113	200 000	13 584 113	15 267 399		1 683 286	112.4%	114.1%				9 750 560
Road transport	-	-	-	-		-	-	-				
Environmental protection	-	-	-	-		-	-	-				3 000 000
Trading services	-	-	-	-		-	-	-				-
Electricity	-	-	-	-		-	-	-				
Water	-	-	-	-		-	-	-				
Waste water management	-	-	-	-		-	-	-				
Waste management	-	-	-	-		-	-	-				
Other	-	-	-	200 000	-	200 000	#DIV/0!	#DIV/0!				
Total Revenue - Standard	119 644 985	16 151 635	120 144 985	121 988 299		1 873 314	101.5%	101.9%				110 401 610
Expenditure - Standard												
Governance and administration	69 980 110	708 018	70 690 120	62 254 064	-	(8 343 064)	88.2%	89.1%	-	-	-	52 831 966
Executive and council	27 452 684	50 000	27 502 684	25 389 917	-	(2 119 777)	92.3%	92.5%	-		-	18 484 651
Budget and treasury office	22 535 636	537 000	23 072 636	20 862 937	-	(2 209 699)	90.4%	92.6%	-		-	19 982 325
Corporate services	19 993 790	121 018	20 014 766	16 002 210	-	(4 012 556)	80.0%	80.4%	-		-	14 364 790
Community and public safety	11 869 160	(217 100)	11 652 060	10 826 257	-	(826 803)	92.9%	91.2%	-	-	-	9 111 530
Community and social services	-	-	-	-	-	-	-	-			-	
Sport and recreation	-	-	-	-	-	-	-	-			-	
Public safety	5 727 740	173 300	5 901 040	5 276 741	-	(624 299)	89.4%	92.1%			-	4 295 019
Housing	6 141 420	(390 400)	5 751 020	5 548 516	-	(202 504)	96.5%	90.3%			-	4 816 511
Health	-	-	-	-	-	-	-	-			-	
Economic and environmental services	72 066 250	152 070	72 218 320	60 388 489	-	(12 829 831)	83.7%	82.9%	-	-	-	50 925 401
Planning and development	68 495 740	152 070	68 847 810	57 368 402	-	(12 279 408)	82.4%	82.5%			-	48 578 547
Road transport	-	-	-	-	-	-	-	-			-	
Environmental protection	3 570 510	-	3 570 510	3 020 067	-	(550 443)	84.6%	84.6%			-	2 346 833
Trading services	-	-	-	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-			-	
Water	-	-	-	-	-	-	-	-			-	
Waste water management	-	-	-	-	-	-	-	-			-	
Waste management	-	-	-	-	-	-	-	-			-	
Other	5 845 103	(20 000)	5 825 103	3 833 232	-	(1 991 871)	65.8%	65.7%			-	
Total Expenditure - Standard	160 240 622	623 988	160 864 611	137 401 022	-	(23 480 589)	85.4%	85.7%	-	-	-	113 860 896
Surplus/(Deficit) for the year	(40 595 637)	15 527 647	(40 719 626)	(15 412 724)	-	25 313 893	37.9%	38.0%	-	-	-	(3 457 277)

BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE

Description R	2016/17 Original Budget	Budget Adjust-ments	Final adjust-ments budget	Actual Outcome	Unau-thorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	2015/16 Reported unau-thorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Revenue by Vote												
Vote 1 - Executive & Council	420 000	-	420 000	-	-	(420 000)		-				4 732 610
Vote 2 - Budget & Treasury	103 873 350	300 000	103 873 350	104 665 995	-	792 640	100.8%	101.1%				81 222 759
Vote 3 - Corporate Services	1 457 622	-	1 457 622	1 015 000	-	(442 622)	69.6%	69.6%				3 315 000
Vote 4 - Planning & Development	-	200 000	200 000	200 000	-	-	100.0%	#DIV/0!				866 115
Vote 5 - Project Management & Advisory Services	14 184 113	-	14 184 113	16 087 399	-	1 903 286	113.3%	113.3%				10 242 006
Total Revenue by Vote	119 644 985	500 000	120 144 985	121 968 299	-	1 823 314	101.5%	101.9%				110 481 519
Expenditure by Vote to be appropriated												
Vote 1 - Executive & Council	27 450 684	50 000	27 500 684	25 384 917	-	(2 115 777)	92.3%	92.5%				19 474 166
Vote 2 - Budget & Treasury	22 535 636	537 000	23 072 636	20 862 837	-	(2 209 [illegible])	90.4%	92.6%				19 852 279
Vote 3 - Corporate Services	28 992 030	290 036	29 282 066	24 298 016	-	(4 983 050)	83.0%	83.8%				21 046 829
Vote 4 - Planning & Development	20 091 573	252 050	20 343 623	14 778 141	-	(5 565 482)	72.6%	73.6%				14 674 995
Vote 5 - Project Management & Advisory Services	61 190 690	(506 900)	60 683 790	52 072 009	-	(8 611 781)	85.8%	85.1%				38 720 542
Total Expenditure by Vote	160 260 623	622 986	160 891 611	137 401 923	-	(23 489 688)	85.4%	85.7%	-	-	-	112 968 887
Surplus/(Deficit) for the year	(40 622 638)	(122 986)	(40 746 626)	(15 432 724)	-	25 313 902	37.9%	38.0%				2 467 378

BUDGETED FINANCIAL PERFORMANCE

Description R	2016/17 Original Budget	Budget Adjust-ments	Final adjust-ments budget	Actual Outcome	Unau-thorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	2015/16 Reported unau-thorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Revenue By Source												
Property rates	-	-	-	-	-	-	-	-				
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-				
Service charges - electricity revenue	-	-	-	-	-	-	-	-				
Service charges - water revenue	-	-	-	-	-	-	-	-				
Service charges - sanitation revenue	-	-	-	-	-	-	-	-				
Service charges - refuse revenue	-	-	-	-	-	-	-	-				
Service charges - other	-	-	-	-	-	-	-	-				
Rental of facilities and equipment	1 081 110	-	1 081 110	1 009 828	-	(71 282)	93.4%	93.4%				971 487
Interest earned - external investments	5 443 350	300 000	5 743 350	6 805 232	-	1 061 883	118.5%	125.0%				8 682 350
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-				
Dividends received	-	-	-	-	-	-	-	-				
Fines	-	-	-	-	-	-	-	-				
Licences and permits	-	-	-	-	-	-	-	-				
Agency services	-	-	-	-	-	-	-	-				
Transfers recognised - operational	112 980 522	200 000	113 180 522	114 012 528	-	832 006	100.7%	100.9%				102 394 822
Other revenue	100 000	-	100 000	140 700	-	40 700	140.7%	140.7%				152 851
Gains on disposal of PPE	30 000	-	30 000	-	-	(30 000)	-	-				
Total Revenue (excluding capital transfers and contributions)	119 644 982	500 000	120 144 982	121 968 299	-	1 823 316	101.5%	101.9%				110 481 519
Expenditure By Type												
Employee related costs	61 214 629	-	61 214 629	57 082 078	-	(4 132 551)	93.2%	93.2%	-	-	-	47 112 444
Remuneration of councillors	6 714 540	-	6 714 540	5 950 489	-	(764 051)	88.6%	88.6%	-	-	-	5 690 854
Debt impairment	3 000	-	3 000	2 219	-	(781)	74.0%	74.0%	-	-	-	-
Depreciation & asset impairment	3 826 820	-	3 826 820	3 975 513	98 893	98 893	102.6%	102.6%	-	-	-	3 760 080
Finance charges	2 165 810	-	2 165 810	2 648 822	483 012	483 012	122.3%	122.3%	-	-	-	2 380 770
Bulk purchases	-	-	-	-	-	-	-	-			-	
Other materials	4 406 400	444 508	4 850 908	3 936 130	-	(914 778)	81.1%	89.3%	-	-	-	3 254 275
Contracted services	-	-	-	-	-	-	-	-			-	
Transfers and grants	61 336 440	300 000	61 636 440	48 946 516	-	(12 688 924)	79.4%	79.8%	-	-	-	37 275 977
Other expenditure	20 392 144	-121 040	20 271 104	13 261 968	-	(7 009 136)	65.4%	65.0%	-	-	-	13 274 658
Loss on disposal of PPE	210 000	-	210 000	429 444	219 444	219 444	204.5%	204.5%	-	-	-	110 905
Total Expenditure	160 268 823	623 468	160 892 091	136 184 180	802 348	(24 707 912)	84.6%	85.0%	-	-	-	112 968 896
Surplus/(Deficit)	(40 623 841)	(122 468)	(40 747 109)	(14 215 881)	(802 360)	26 531 228	34.9%	34.9%				(2 487 377)
Transfers recognised - capital	-	-	-	-		-	-	-				-
Contributions recognised - capital	-	-		-		-	-	-				-
Contributed assets	-	-	-	-	-	-	-	-				-
Surplus/(Deficit) after capital transfers & contributions	(40 823 841)	(122 468)	(40 747 109)	(14 215 881)	(802 260)	-	-	-				(2 487 377)
Taxation	-	-	-	-	-	-	-	-				-
Surplus/(Deficit) after taxation	(40 823 841)	(122 468)	(40 747 109)	(14 215 881)	(802 360)	-	-	-				(2 487 377)
Attributable to minorities	-	-	-	-	-	-	-	-				-
Surplus/(Deficit) attributable to municipality	(40 823 841)	(122 468)	(40 747 109)	(14 215 881)	(802 360)	-	-	-				(2 487 377)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-				-
Surplus/(Deficit) for the year	(40 823 841)	(122 468)	(40 747 109)	(14 215 881)	(802 360)	-	-	-				(2 487 377)

BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Description R	2016/17 Original Budget	Budget Adjustments	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	2015/16 Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - Executive & Council	-	-	-	-	-	-	-	-			-	
Vote 2 - Budget & Treasury	-	-	-	-	-	-	-	-			-	
Vote 3 - Corporate Services	-	-	-	-	-	-	-	-			-	
Vote 4 - Planning & Development	-	-	-	-	-	-	-	-			-	
Vote 5 - Project Management & Advisory Services	-	-	-	-	-	-	-	-			-	
Capital multi-year expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Single-year expenditure												
Vote 1 - Executive & Council	79 100	1 000	80 100	55 453	-	(24 647)	69%	70%	-		-	310 821
Vote 2 - Budget & Treasury	1 746 000	380 000	2 126 000	1 861 938	-	(264 062)	88%	107%	-		-	838 108
Vote 3 - Corporate Services	5 164 900	-290 417	4 874 483	601 901	-	(4 272 582)	12%	12%	-		-	736 877
Vote 4 - Planning & Development	46 000	21 430	67 430	56 049	-	(11 381)	83%	122%	-		-	44 880
Vote 5 - Project Management & Advisory Services	12 000 000	-6 300 000	5 700 000	2 995 236	-	(2 704 764)	53%	25%	-		-	83 942
Capital single-year expenditure	19 036 000	(6 187 987)	12 848 013	5 570 577	-	(7 277 436)	43%	29%	-	-	-	2 124 643
Total Capital Expenditure - Vote	19 036 000	(6 187 987)	12 848 013	5 570 577	-	(7 277 436)	43%	29%	-	-	-	2 124 643
Capital Expenditure - Standard												
Governance and administration	2 860 000	278 962	3 138 962	2 397 845	-	(741 117)	76%	84%	-	-	-	1 835 131
Executive and council	79 100	1 000	80 100	55 453	-	(24 647)	69%	70%			-	310 827
Budget and treasury office	1 746 000	380 000	2 126 000	1 861 938	-	(264 062)	88%	107%			-	839 105
Corporate services	1 034 900	-102 038	932 862	480 454	-	(452 408)	52%	46%			-	686 099
Community and public safety	4 120 000	(188 379)	3 931 621	113 246	-	(3 818 375)	3%	3%	-	-	-	64 324
Community and social services	-	-	-	-		-	-	-			-	
Sport and recreation	-	-	-	-		-	-	-			-	
Public safety	4 120 000	-188 379	3 931 621	113 246	-	(3 818 375)	3%	3%			-	38 583
Housing	-	-	-	-		-	-	-			-	25 741
Health	-	-	-	-		-	-	-			-	
Economic and environmental services	12 040 000	-6 278 570	5 761 430	3 020 674	-	(2 740 756)	52%	25%	-	-	-	127 113
Planning and development	12 030 000	-6 278 570	5 751 430	3 012 472	-	(2 738 958)	52%	25%			-	112 819
Road transport	-	-	-	-		-	-	-			-	
Environmental protection	10 000	-	10 000	8 202	-	(1 798)	82%	82%			-	14 294
Trading services	16 000	-	16 000	38 812	22 812	22 812	243%	243%	-	-	-	
Electricity	-	-	-	-		-	-	-			-	
Water	-	-	-	-		-	-	-			-	
Waste water management	-	-	-	-		-	-	-			-	
Waste management	-	-	-	-		-	-	-			-	
Other	16 000	-	16 000	38 812	22 812	22 812	243%	243%			-	
Total Capital Expenditure - Standard	19 036 000	(6 187 987)	12 848 013	5 570 577	22 812	(7 277 436)	43%	29%	-	-	-	2 124 644
Funded by:												
National Government	-	-	-	-	-	-		-				
Provincial Government	-	-	-	-	-	-		-				
District Municipality	-	-	-	-	-	-		-				
Other transfers and grants	-	-	-	-	-	-		-				
Transfers recognised - capital	-	-	-	-	-	-		-				-
Public contributions & donations			-			-		-				
Borrowing			-			-		-				
Internally generated funds	19 036 000	(6 187 987)	12 848 013	5 570 577	22 812	(7 277 436)	43%	29%				2 124 644
Total Capital Funding	19 036 000	(6 187 987)	12 848 013	5 570 577	22 812	(7 277 436)	43%	29%				2 124 644

FRANCES BAARD DISTRICT MUNICIPALITY

APPENDIX A

APPROPRIATION STATEMENT FOR THE YEAR ENDED ON 30 June 2017

Description	2016/17							2015/16
R	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	1 181 110	-	1 181 110	923 541	(257.57)	78.2%	78.2%	2 231 945
Government - operating	111 813 000	-	111 813 000	111 619 227	(194)	99.8%	99.8%	112 589 248
Government - capital	-	-	-		-	-	-	
Interest	5 443 350	-	5 443 350	6 805 230	1 361.88	125.0%	125.0%	7 868 135
Dividends	-	-	-	-	-	-	-	
Payments								
Suppliers and employees	(74 710 368)	-	(74 710 368)	(75 098 392)	(388.02)	100.5%	100.5%	(78 882 398)
Finance charges	(2 165 810)	-	(2 165 810)	(673 822)	1 491.99	31.1%	31.1%	(884 112)
Transfers and Grants	(61 664 974)	-	(61 664 974)	(48 946 518)	12 718.46	79.4%	79.4%	(54 621 447)
NET CASH FROM/(USED) OPERATING ACTIVITIES	(20 183 893)	-	(20 183 893)	(5 368 729)	14 734.86	26.7%	26.7%	(11 840 828)
CASH FLOWS FROM INVESTING ACTIVITIES								-
Receipts								-
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	406 000	406.00	0.0%	0.0%	1 099 717
Decrease (increase) other non-current receivables	-	-	-		-	-	-	
Decrease (increase) in non-current investments	-	-	-	(400 000)	(400.00)	#DIV/0!	#DIV/0!	(300 000)
Payments								
Capital assets	(15 228 800)	2 380 787	(12 848 013)	(7 324 712)	5 523.30	57.0%	48.1%	(5 582 006)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(15 228 800)	2 380 787	(12 848 013)	(7 318 712)	5 529.30	57.0%	48.1%	(4 782 289)
CASH FLOWS FROM FINANCING ACTIVITIES						-	-	-
Receipts								-
Short term loans								-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-
Payments								
Repayment of borrowing	(1 800 000)	1 080 000	(720 000)	(1 985 494)	(1 265.49)	275.8%	110.3%	(1 784 602)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1 800 000)	1 080 000	(720 000)	(1 985 494)	(1 265.49)	275.8%	110.3%	(1 784 602)
NET INCREASE/ (DECREASE) IN CASH HELD	(37 132 493)	3 460 787	(33 671 706)	(14 672 935)				(18 207 519)
Cash/cash equivalents at the year begin:	78 769 193	-9 494 139	69 275 054	69 275 054				87 482 573
Cash/cash equivalents at the year end:	41 636 701	-6 033 352	35 603 348	54 602 119	18 998.77	153.4%	131.1%	69 275 054